Ascendis Health Limited
(Incorporated in the Republic of South Africa)
Registration number 2008/005856/06
JSE share code ASC
ISIN ZAE000185005
("Ascendis" or "the group")

ANNUAL FINANCIAL RESULTS 2017

KEY HIGHLIGHTS

Global healthcare business with 60% earnings outside SA

Revenue up 64% to R6.4 billion

Normalised EBITDA up 78% to R1.1 billion

EBITDA margin up 130bps to 16.9%

Normalised HEPS up 29% to 156.4 cents per share

Cash from operations R787 million

Three international acquisitions completed during the year

COMMENTARY

Group profile and strategy

Ascendis Health is a South African-based global health and care group which owns a portfolio of market-leading brands for humans, plants and animals.

The brands are housed in the Pharma-Med, Consumer Brands and Phyto-Vet divisions, with revenue diversified across products, channels, geographic regions and currencies.

- Pharma-Med: prescription and over-the-counter (OTC) drugs; medical devices
- Consumer Brands: nutraceuticals; complementary medicines; derma-cosmeceuticals and sports nutrition
- Phyto-Vet: plant and animal health and care.

The group's strategy is to complement organic growth by acquiring bolt-on companies in South Africa, acquiring international platform and complementary businesses, and extracting synergies from these acquisitions.

The international acquisitions of pharmaceutical manufacturer Remedica in Cyprus and leading European sports nutrition business Scitec early in the financial year have transformed Ascendis Health into a global healthcare business. Earnings generated outside South Africa in the reporting period have grown to 60% of total earnings.

Financial performance

Note: The group is reporting normalised results which have been adjusted for once-off acquisition costs in the current and prior financial years.

Group revenue from continuing operations increased by 64% to R6.4 billion (2016: R3.9 billion), with acquisitive growth of R2.3 billion from Remedica and Scitec (consolidated for 11 months) and Sun Wave Pharma and Cipla Animal Health (consolidated for one month).

Revenue has grown at a compound rate of 81% and EBITDA by 102% per annum since the listing of Ascendis Health in 2013.

Foreign revenue increased by 497% to R2.8 billion and comprises 43% (2016: 12%) of the group's total sales. Products are currently exported to over 120 countries globally.

The group's gross margin strengthened by 380 basis points to 43.7% owing to a higher contribution from prescription drugs following the acquisition of Remedica in August 2016 and strong performances from the high-end wellness brand Solal and the medical devices business in South Africa.

Earnings from continuing operations before interest, tax, depreciation and amortisation (EBITDA), on a normalised basis, increased by 78% to R1 085 million, with the EBITDA margin improving by 130 basis points to 16.9% (2016: 15.6%).

Normalised operating profit rose by 60% to R857 million. Headline earnings on a normalised basis increased by 91% to R645 million, with normalised HEPS 29% higher at 156.4 cents. The weighted average number of shares in issue increased by 48% during the reporting period, mainly in relation to the rights issue and vendor placement in August 2016 for the acquisitions of Remedica and Scitec.

Cash generated from operating activities increased to R787 million with a cash conversion rate of 73%.

The directors have elected not to declare a final dividend and to retain cash to fund complementary acquisitions. An interim dividend of 11 cents per share was declared in March 2017.

Segmental performance

	Pharma -Med	Consumer Brands	Phyto-Vet
Revenue from continuing operations	R3 558m	R1 954m	R923m
Revenue growth	55%	113%	32%
Revenue contribution	55%	30%	14%
EBITDA	R731m	R290m	R141m

EBITDA growth	98%	42%	46%
EBITDA margin	21%	15%	15%
EBITDA contribution before head office costs	63%	25%	12%

Pharma-Med, which includes the acquisition of Remedica, experienced better than expected turnover and EBITDA growth. The EBITDA margin of the division improved despite the impact of foreign exchange losses from its hedged positions resulting from the Rand strengthening approximately 11% against its main trading partners. Farmalider and Remedica's focus on higher margin sales resulted in a strong improvement in the EBITDA margin of the Pharma-Med division. The division continues to benefit from synergy projects underway in Europe and South Africa.

Consumer Brands benefited from the acquisitions of Scitec and Sun Wave Pharma but EBITDA margins were negatively impacted by external factors. These include increasing global whey protein prices which reached a three year high and challenges in Nigeria affecting the direct selling business. Some of the market-leading wellness brands including Solal showed double digit growth in South Africa.

Phyto-Vet experienced growth in terms of both revenue and EBITDA aided by the biosciences business and the expansion of Afrikelp into international markets. EBITDA margins improved as a result of stricter cost control and focus on higher margin sales.

Acquisitions

International

Remedica has been successfully integrated, with ongoing synergy projects within the Pharma-Med division covering cross-selling, procurement, research and development, new product development and production. Remedica generated revenue of R982 million in the 11 months since acquisition, with profit before interest after tax (PBIAT) of R243 million being ahead of management's expectations.

Scitec reported sales of R1 247 million with PBIAT of R121 million. Margins came under pressure from higher global whey protein prices which the business was unable to pass on to customers. Decisive measures have been taken to improve profitability, including appointing a new head of the business, initiating cost savings, focusing on new sales channels, expanding into new markets and developing a strong new product development pipeline.

Sun Wave Pharma, a leading OTC and nutraceuticals business in Romania, was acquired with effect from 1 June 2017. The acquisition provides entry into the high-growth Romanian market, allows for duplication of the successful business model to other selected markets in the central and eastern European region, with sourcing, production, research and development, and cross-selling opportunities within Consumer Brands.

South Africa

The acquisition of the southern African animal health businesses from Cipla India creates access to the attractive veterinary pharma market, with high margin products in strong growth segments. This is supported by the opportunity to increase export sales and create synergies with Phyto-Vet's existing African network. The acquisition was effective from 1 June 2017.

Outlook for 2018 financial year

The group will continue to pursue its proven strategy of organic, acquisitive, synergistic and international growth to create shareholder value.

Projects have been initiated to enhance organic growth and EBITDA margins. These include consolidating the medical devices division in South Africa focusing on cost efficiencies across the group, in particular in the sports nutrition businesses, rationalising manufacturing facilities in South Africa and investing in new product development and launches. Management is targeting to improve the EBITDA margin from 17% to 18% over the medium term. Plans are being implemented to maximise free cash generation and reduce gearing levels.

The group's acquisition strategy in 2018 will be focused on buying complementary bolt-on businesses, mainly in the higher growth economies in central and eastern Europe, and South Africa, while targeting fast growing health and care market segments.

Dr Karsten Wellner
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Johannesburg

12 September 2017

AUDITED SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION
at 30 June 2017

	2017 R'000	2016 Restated R'000
Property, plant and equipment	991 668	348 223
Intangible assets and goodwill	9 114 959	3 041 497
Investments accounted for using the equity method	-	386
Derivative financial assets	2 760	-
Other financial assets	29 168	73 287
Deferred income tax assets	40 109	10 651
Non-current assets	10 178 664	3 474 044
Inventories	1 597 726	939 355
Trade and other receivables	1 881 591	1 054 396

Other financial assets	32 761	22 281
Current tax receivable	39 824	30 561
Derivative financial assets	53 012	6 727
Cash and cash equivalents	634 719	198 905
Assets held for sale as part of a discontinued operation	68 320	-
Current assets	4 307 953	2 252 225
Total assets	14 486 617	5 726 269
Stated capital	5 447 899	2 138 684
Other reserves	(782 088)	(259 892)
Retained earnings	475 645	396 949
Equity attributable to equity holders of parent	5 141 456	2 275 741
Non-controlling interest	154 886	179 302
Total equity	5 296 342	2 455 043
Borrowings and other financial liabilities	4 002 769	1 048 502
Deferred income tax liabilities	467 819	236 858
Deferred vendor liabilities	1 437 394	86 212
Put-option on equity instrument	113 055	120 972
Derivative financial liabilities	6 444	45 801
Finance lease liabilities	20 486	3 932
Long term employee benefits	15 188	-
Investments accounted for using the equity method	1 066	-
Non-current liabilities	6 064 221	1 542 277
Trade and other payables	1 250 209	849 343
Derivative financial liabilities	38 156	-
Borrowings and other financial liabilities	1 027 037	376 631
Current tax payable	21 239	38 031
Deferred vendor liabilities	645 374	222 706
Provisions	26 595	17 493
Finance lease liabilities	9 900	3 444
Bank overdraft	107 544	221 301
Current liabilities	3 126 054	1 728 949
Total liabilities	9 190 275	3 271 226
Total equity and liabilities	14 486 617	5 726 269

AUDITED SUMMARISED STATEMENT OF PROFIT AND
LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2017

Continuing operations	2017 R'000	2016 Restated R'000
Revenue	6 435 027	3 914 427
Cost of sales	(3 622 025)	(2 351 345)
Gross profit	2 813 002	1 563 082
Other income	41 579	84 791
Selling and distribution expenses	(615 324)	(325 948)
Administrative expenses	(1 087 417)	(704 362)
Other operating expenses	(403 517)	(234 308)
Operating profit	748 323	383 255
Finance income	40 734	32 968
Finance expense	(346 728)	(162 967)
(Loss)/gain from equity accounted investments	(1 452)	5 625
Profit before taxation	440 877	258 881
Income tax expense	(62 581)	(68 665)
Profit from continuing operations	378 296	190 216
Loss from discontinued operation	(70 976)	(135)
Profit for the period	307 320	190 081
Other comprehensive income		
Items that may be reclassified to profit and loss		
Foreign currency translation reserve	(255 101)	(54 125)
Effects of cash flow hedges	27 803	(37 009)
Items that will not be reclassified to profit and loss		
Revaluation of property, plant and equipment	1 149	8 577
Income tax relating to items that may be reclassified	-	(5 337)
Other comprehensive income from discontinued operations	-	10 483
Other comprehensive income for the year net of tax	(226 149)	(77 411)
Total comprehensive income for the year	81 171	112 670
Profit attributable to:		
Owners of the parent	283 131	158 733
Non-controlling interest	24 189	31 348
	307 320	190 081
Total comprehensive income attributable to:		
Owners of the parent	110 907	69 403
Non-controlling interest	(29 736)	43 267
	81 171	112 670
Earnings per share from continuing operations		
Basic and diluted earnings per share (cents)	85.9	57.1
Total earnings per share		

Basic and diluted earnings per share (cents)	68.7	57.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 085 564	610 846

AUDITED SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY
at 30 June 2017

	Stated capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put option non-controlling interest reserve	Total other reserves*	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance as at 1 July 2015	1 576 730	188	976	(949)	-	(51 723)	299 417	1 824 639	-	1 824 639
Profit for the period	-	-	-	-	-	-	158 733	158 733	31 348	190 081
Other comprehensive income	-	(54 125)	13 723	(37 009)	-	-	-	(77 411)	11 919	(65 492)
Total comprehensive income for the year	-	(54 125)	13 723	(37 009)	-	-	158 733	81 322	43 267	124 589
Issue of ordinary shares	557 890	-	-	-	-	-	-	557 890	-	557 890
Raising fees capitalised	(658)	-	-	-	-	-	-	(658)	-	(658)
Purchase of treasury shares	4 722	-	-	-	-	-	-	4 722	-	4 722
Dividends	-	-	-	-	-	-	(57 066)	(57 066)	-	(57 066)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	101 145	101 145
Put-option on non-controlling interest	-	-	-	-	(99 817)	-	-	(99 817)	-	(99 817)
Foreign currency translation reserve	-	(37 845)	-	-	(17 927)	17 167	-	(38 605)	38 605	-
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	7 850	(4 135)	3 715	(3 715)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	561 954	(37 845)	-	-	(117 744)	25 017	(61 201)	370 181	136 035	506 216
Balance as at 30 June 2016	2 138 684	(91 782)	14 699	(37 958)	(117 744)	(26 706)	396 949	2 276 142	179 302	2 455 444
Profit for the period	-	-	-	-	-	-	283 131	283 131	24 189	307 320
Other comprehensive income	-	(108 068)	1 149	27 803	-	-	(93 108)	(172 224)	(53 925)	(226 149)
Total comprehensive income for the year	-	(108 068)	1 149	27 803	-	-	190 023	110 907	(29 736)	81 171
Issue of ordinary shares	3 432 245	-	-	-	-	(450 114)	-	2 982 131	-	2 982 131
Raising fees capitalised	(24 309)	-	-	-	-	-	-	(24 309)	-	(24 309)
Purchase of treasury shares	(98 721)	-	-	-	-	-	-	(98 721)	-	(98 721)
Dividends	-	-	-	-	-	-	(112 758)	(112 758)	13 384	(99 374)
Foreign currency translation reserve	-	(10 473)	-	-	5 950	254	-	(4 269)	4 269	-
Reclassification of reserves into retained earnings	-	-	-	-	-	(13 280)	13 280	-	-	-
Statutory reserve: Farmalider allocation to reserve	-	-	-	-	-	24 182	(11 849)	12 333	(12 333)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	3 309 215	(10 473)	-	-	5 950	(438 958)	(111 327)	2 754 407	5 320	2 759 727
Balance as at 30 June 2017	5 447 899	(210 323)	15 848	(10 155)	(111 794)	(465 664)	475 645	5 141 456	154 886	5 296 342

*Other reserves include a Share-based payment reserve (R13.3 million) that has been reclassified to retained earnings during the 2017 financial period. Also included in this reserve is a Farmalider Statutory reserve (R49.4 million). In terms of Spanish legislation a portion of the period's profits should be recognised in a non-distributable reserve.

During the 2017 financial period Ascendis raised equity capital by means of a Rights Offer. Other reserves also include the difference between the R22.00 subscription price and the presiding fair value on the date of issue.

AUDITED SUMMARISED GROUP STATEMENT OF
CASH FLOWS

	2017 R'000	2016 R'000
Cash inflow/(outflow) from operations	787 383	(280 537)
Interest income received	40 734	32 968
Finance costs paid	(299 172)	(163 477)
Income taxes paid	(160 232)	(95 167)
Net cash inflow/(outflow) from operating activities	368 713	(506 213)
Cash flows from investing activities		
Purchase of property, plant and equipment	(117 885)	(95 881)
Proceeds on the sale of property, plant and equipment	3 623	36 707
Purchase of other intangibles assets	(119 062)	(83 003)
Proceeds on the sale of intangible assets	767	333
Payment for acquisition of subsidiaries - net of cash	(5 454 161)	(440 160)
Repayments on deferred vendor liabilities	(246 343)	(10 825)
Payments for the settlement of foreign exchange contracts	(119 513)	-
Repayment of loans advanced to related parties	46 932	41 608
Loans advanced to related parties	(9 199)	-
Loans advanced to external parties	(16 854)	(27 552)
Repayment of loans advanced to external parties	14 072	-
Net cash utilised in investing activities	(6 017 623)	(578 773)
Cash flows from financing activities		
Proceed from issue of shares	2 981 281	557 232

Proceed on the sale of treasury shares	37 888	6 049
Payments made to acquire treasury shares	(137 678)	-
Proceeds from borrowings raised	5 140 675	926 813
Repayment of borrowings	(1 663 244)	(475 062)
Repayment of loans from related parties	(26 290)	-
Finance lease payments	(1 803)	(490)
Dividends paid	(112 758)	(57 066)
Net cash inflow from financing activities	6 218 071	957 476
Net increase/(decrease) in cash and cash equivalents	569 161	(127 510)
Cash and cash equivalents at beginning of period	(22 396)	101 215
Effect of exchange difference on cash balances	(19 590)	3 899
Cash and cash equivalents at end of period	527 175	(22 396)

NOTES TO THE AUDITED SUMMARISED
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Corporate information

Ascendis Health Limited is a health and care brands company. The Group operates through health care areas: Consumer Brands, Pharma-Med and Phyto-Vet. Consumer Brands consists of health and personal care products sold to the public, primarily at the retail store level. The Group offers over-the-counter (OTC) medicines and consumer brands products, including vitamins and minerals, homeopathic, herbal products, dermaceuticals, functional foods, functional super foods, sports nutrition, health beverages, weight management and therapeutic cosmetics. Pharma-Med consists of the sale of prescription and selected OTC pharmaceuticals, and includes medical devices. Phyto-Vet supplies products to the plant and animal markets. Phyto-Vet manufactures and supplies over 3 500 different products supplied to over 4 500 retail stores.

These summarised consolidated group financial results as at 30 June 2017 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in equity accounted investments. The audited annual results can be obtained from the Ascendis website (https://ascendishealth.com/investor-relations/financial-results).

Going concern

The directors consider that the Group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the Group's financial statements. The directors have satisfied themselves that the Group is in sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Basis of preparation

The annual consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for annual reports, and the requirements of the Companies Act of 2008 applicable to annual financial statements. The Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the annual consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements for the year ended 30 June 2017 have been prepared under the supervision of Chief Financial Officer Kieron Futter CA(SA) and audited by PricewaterhouseCoopersInc. The auditor expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. A copy of the auditors report on the summarised consolidated financial statements is available for inspection at the Company's registered office.

The auditors report does not necessarily report on all information contained in this announcement. Any reference to pro forma or future financial information included in this announcement has not been review or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Companies registered office.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value. The financial statements are prepared on the going-concern basis using accrual accounting.

Items included in the annual financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The annual financial statements are presented in Rand. This represents the presentation and functional currency of Ascendis. The Group owns the following entities which operate in primary economic environments which are different to the Group:

- Farmalider - Spain
- Akusa - United States of America
- Nimue UK - United Kingdom
- Heritage Resources Limited - Isle of Man
- Remedica - Cyprus
- Scitec - Hungary
- Ascendis Wellness - Romania
- Ascendis Australia - Australia
- Ascendis International - Malta

For each of these entities a functional currency assessment has been performed. Where the entity has a functional currency different to that of the Groups presentation currency they are translated upon consolidation in terms of the requirements of IFRS.

Judgement and estimates

In preparing these annual financial results, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to have the actual results materially different from estimates. Detailed information about each of these estimates and judgements is included in the notes to the financial statements.

Significant estimates and judgements:
- The useful lives and residual values of property, plant and equipment and intangible assets.
- Impairment testing and allocation of cash-generating units.
- Estimation of fair value in business combinations.
- Estimated goodwill impairment.
- Estimation of fair values of land and buildings.
- Control assessments of investments in other entities acquired.

1. Group Segmental Analysis

Ascendis Health owns a portfolio of brands within three core health care areas, namely Consumer Brands, Pharma-Med and Phyto-Vet. Within these healthcare areas the Group has five reportable segments.

The Group executive committee (EXCO) considers the three core health care areas, as well as the reportable segments to make key operating decisions and assess the performance of the business. The EXCO is the Group's chief operating decision maker.

The reportable segments were identified by considering the nature of the products, the production process, distribution channels, the type of customer and the regulatory environment in which the business units operate. In addition to the above, similar economic characteristics such as currency and exchange regulations, trade zones and the tax environment were also considered to incorporate and assess the different markets in which the Group operate. The reportable segments included in the Group's divisions are:

- Consumer Brands (human health), incorporating Sports Nutrition, Skin and all of the Ascendis Over The Counter (OTC) and Complementary and Alternative Medicines Consumer Brands products. This division includes two reportable segments:
  - Consumer Brands Africa segment: Operating predominantly in the South African market.
  - Consumer Brands Europe segment: Operating predominantly in the European market.

- Phyto-Vet (animal and plant health), incorporating all of the Ascendis animal and plant health and care products.
- Pharma-Med (human health), incorporating Ascendis' pharmaceutical and medical devices products. This division includes two reportable segments:
  - Pharma-Med Africa segment: Operating predominantly in the South African market.
  - Pharma-Med Europe segment: Operating predominantly in the European market.

Restatement

The Group acquired large international operations during the 2017 financial period. The businesses acquired operate predominantly in the European market, which is a substantially different economic and regulatory environment from the South African market. This has resulted in a significant change in the Group's internal environment and subsequently the reportable segments. Individual operating segments previously included in Consumer Brands, are now included in Consumer Brands Africa and Consumer Brands Europe. The Pharma-Med Europe segment was called International in the 2016 Annual financial statements.

(a) Statement of comprehensive income measures applied

Revenue split by segment	2017 R'000	2016 Restated R'000
Consumer Brands	2 162 570	921 836
Africa	724 992	747 678
Europe	1 437 578	174 158
Phyto-Vet	922 991	700 895
Pharma-Med	3 558 515	2 295 701
Africa	2 093 176	1 808 204
Europe	1 465 340	487 497
Revenue from discontinued operations	(209 049)	(4 005)
Total revenue	6 435 027	3 914 427
Revenue generated by geographical location		
South Africa	3 675 806	3 451 972
Cyprus	987 762	-
Spain	477 578	462 455
Other Europe	1 284 175	-
Other	9 706	-
Total revenue	6 435 027	3 914 427

There has been no inter-segment revenue during the financial period. All revenue figures represent revenue from external customers.

The revenue from discontinued operations relates to the Consumer Brands Africa segment.

The Group has an expanding international footprint and currently exports products to 120 countries, mainly in Africa and Europe.

The revenue presented by geographic location represents the domicile of the entity generating the revenue.

51% of the Group's revenue is generated through the wholesale and retail market (2016: 46%). In this market, 4% (2016: 6%) of the total Group revenue is derived from a single customer and 12% of the Group's revenue is generated from government institutions (local and international).

The Group evaluates the performance of its reportable segments based on EBITDA (earnings before interest, tax, depreciation and amortisation). The financial information of the Group's reportable segments is reported to the EXCO for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the EBITDA/sales margin.

EBITDA split by segment		2017 R'000		2016 Restated R'000
Consumer Brands	290 024	13%	204 397	22%
Africa	115 721	16%	170 886	23%
Europe	174 303	12%	33 511	19%
Phyto-Vet	140 543	15%	96 184	14%
Pharma-Med	730 743	21%	369 599	16%
Africa	328 550	16%	278 963	15%
Europe	402 193	27%	90 636	19%
Head office	(75 746)		(59 334)	
Total EBITDA	1 085 564		610 846	
Non-controlling interest proportionate share	(39 502)		(46 225)	
Total EBITDA attributable to the parent	1 046 062		564 621	

Reconciliation of EBITDA to Consolidated Results	2017 R'000	2016 Restated R'000
Consolidated operating profit	748 323	383 255
Total impairment, amortisation and depreciation	228 453	74 680
Business combination costs	89 722	152 911
Restructuring costs	19 066	-
Non-controlling interest proportionate share	(39 502)	(46 225)
Total EBITDA attributable to the parent	1 046 062	564 621

*Restructuring and business integration costs are excluded from EBITDA for performance measurement purposes.

Net finance cost split by segment	2017 R'000	2016 Restated R'000
Consumer Brands Africa		
Finance income	1 449	335
Finance expense	(11 347)	(2 089)
Consumer Brands Europe		
Finance income	2 952	863
Finance expense	(84 747)	(1 144)
Phyto-Vet		
Finance income	1 320	979
Finance expense	(11 751)	(2 073)
Pharma-Med Africa		
Finance income	3 890	2 321
Finance expense	(2 300)	(20 484)
Pharma-Med Europe		
Finance income	418	2 307
Finance expense	(41 216)	(76)
Head-Office		
Finance income	30 705	26 163
Finance expense	(195 367)	(137 101)
Total consolidated net finance cost	(305 994)	(129 999)

Finance income and costs are managed centrally through the Group's Treasury function housed within Ascendis Financial Services (included in Head office) and Scitec (Consumer Brands Europe). The EXCO evaluates the finance income and expenses based on utilisation within subsidiaries as illustrated above.

The European debt facilities raised to finance the acquisition of the recent international acquisitions are housed within Consumer Brands Europe.

2016

Tax expense split by segment	2017 R'000	Restated R'000
Consumer Brands	(1 592)	(14 621)
Africa	3 706	(6 833)
Europe	(5 298)	(7 788)
Phyto-Vet	(8 992)	(6 134)
Pharma-Med	(50 457)	(41 160)
Africa	(42 352)	(40 785)
Europe	(8 105)	(375)
Head office	(1 540)	(6 750)
Total consolidated tax expense	(62 581)	(68 665)

The EXCO monitors taxation expenses per segment to ensure optimal tax practices are being adhered to.

(b) Statement of financial position measures applied

	2017 R'000		2016 Restated R'000	
Assets and liabilities split by segment	Assets	Liabilities	Assets	Liabilities
Consumer Brands	5 558 299	(4 494 222)	1 233 112	(85 861)
Africa	1 526 655	(751 425)	1 067 444	(53 433)
Europe	4 031 644	(3 742 797)	165 668	(32 428)
Phyto-Vet	1 508 258	(474 651)	900 856	(254 052)
Pharma-Med	7 405 499	(2 433 957)	2 932 382	(707 730)
Africa	2 620 118	(555 912)	2 227 754	(402 392)
Europe	4 785 381	(1 878 045)	704 628	(305 338)
Head office	14 561	(1 787 445)	659 919	(2 223 583)
Total consolidated assets and liabilities	14 486 617	(9 190 275)	5 726 270	(3 271 227)

The fixed assets presented below represent the material non-current assets held in various geographic locations.

Fixed assets by geographic location	2017 R'000	2016 Restated R'000
South Africa	278 204	321 973
Cyprus	499 447	-
Other Europe	214 017	26 250
Fixed assets per geographic location	991 668	348 223

2. Earnings per share, Diluted earnings per share and Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by JSE Listings Requirements and Circular 2 of 2015.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the period, increased by shares issued during the period weighted on a time basis for the period during which they have participated in the profit of the Group. Shares which are held by a subsidiary company as treasury shares have been adjusted on a time basis when determining the weighted average number of shares in issue.

The Group has determined no instruments exist in the period that will give rise to the issue of ordinary shares that results in a dilutive effect. Based on this assessment, basic earning per share also represents diluted earnings per share.

	2017 R'000 Continuing operations	2017 R'000 Discontinued operations	Total	2016 R'000 Continuing operation	2016 R'000 Discontinued operations	Total
(a) Basic earnings per share						
Profit attributable to owners of the parent	354 107	(70 976)	283 131	158 868	(135)	158 733
Earnings	354 107	(70 976)	283 131	158 868	(135)	158 733
Weighted average number of ordinary shares in issue			412 323 054			277 861 370
Earnings per share (cents)	85.9	(17.2)	68.7	57.1	-	57.1
(b) Headline earnings per share						
Profit attributable to owners of the parent	354 107	(70 976)	283 131	158 868	(135)	158 733
Adjusted for:						
Profit/(loss) on the sale of						

property, plant and equipment	937	-	937	(943)	-	(943)
Profit/(loss) on investment disposal	165	-	165	(7 535)	-	(7 535)
Goodwill and intangible asset impairment	21 730	26 860	48 590	-	-	-
IFRS 3 bargain purchase	(1 938)	-	(1 938)	-	-	-
Non-controlling interest portion allocation	(340)	-	(340)	3 055	-	3 055
Tax effect thereof	(269)	-	(269)	1 062	-	1 062
Headline earnings	374 392	(44 116)	330 276	154 507	(135)	154 372
Weighted average number of shares in issue			412 323 054			277 861 370
Headline earnings per share (cents)	90.8	(10.7)	80.1	55.6	-	55.6

(c) Normalised headline earnings per share

Since Ascendis Health is a health and care company and not an investment company, normalised headline earnings is calculated by excluding amortisation and certain costs from the Group's earnings. Costs excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure companies in the Group. It also includes the cost incurred to acquire and integrate the business combinations into the Group and the listed environment.

		2017 R'000			2016 R'000	
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline earnings	374 392	(44 116)	330 276	154 507	(135)	154 372
Adjusted for						
Business combination costs	89 722	-	89 722	130 306	-	130 306
Refinancing costs	27 730	-	27 730	-	-	-
Finance cost of deferred vendor liability	47 556	-	47 556	-	-	-
Restructuring costs	19 066	-	19 066	22 605	-	22 605
Tax effect thereof	(6 272)	-	(6 272)	(6 329)	-	(6 329)
Amortisation	115 857	-	115 857	48 194	-	48 194
Tax effect thereof	(23 328)	-	(23 328)	(12 796)	-	(12 796)
Normalised headline earnings	644 723	(44 116)	600 607	336 487	(135)	336 352
Weighted average number of shares in issue			412 323 054			277 861 370
Normalised headline earnings per share (cents)	156.4	(10.7)	145.7	121.1	-	121.1

Normalised diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than normalised headline earnings being the numerator.

3. Events after reporting period
Debt facilities

Post year end, Ascendis increased their existing revolving credit facilities as follows:

- R50 million from Nedbank. This facility bears interest at a rate of 8.25%;
- R150 million from ABSA. This facility bears interest at a rate of 8.75% and is repayable on 28 November 2017.

Treasury shares

The Group also disposed of 3 425 202 treasury shares at a transaction price equal to the 30 day volume weighted average price of the share ("VWAP").

4. Business Combinations
During the period Ascendis acquired the following businesses:
- Remedica Group 100%
- Scitec Group 100%
- Cipla Group 100%
- Sun Wave Pharma Group 100%
- Ortho-Xact 100%
- Juniva Proprietary Limited 78 % (Obtained effective control)

A purchase price allocation has been performed on all business acquisitions which have been included in the financial results with the exception of Cipla and Sun Wave Pharma. Due to the timing of these acquisitions being close to year-end, a preliminary purchase price allocation has been performed.

The following table illustrates the consideration paid and net assets for each material subsidiary acquired during the year. All assets and liabilities are measured at fair value on the date of acquisition. No goodwill amount recognised is deductible for tax purposes. The 2016 comparative period has been restated as a result of a measurement period adjustment, for more information refer to the restatement note.

	2017 R'000						2016 Restated R'000
	Remedica	Scitec	Sun Wave Pharma	Cipla	Other	Total	Total
Cash	2 643 993	2 332 935	599 265	330 728	69 200	5 976 121	537 035
Foreign exchange hedging loss	57 118	62 395	-	-	-	119 513	-
Equity instruments	24 332	-	-	-	-	24 332	213 516
Vendor loans	1 262 507	311 058	260 456	132 385	74 800	2 041 206	195 017
	3 987 950	2 706 388	859 721	463 113	144 000	8 161 172	945 568
Cash and cash equivalents	242 161	213 884	31 652	33 723	540	521 960	96 875
Property, plant and equipment	525 247	178 598	25 532	864	434	730 675	129 447
Intangible assets within the acquired entity	1 246 534	1 114 816	716 932	159 651	34 313	3 272 246	526 209
Other financial assets	37	42 541	-	-	-	42 578	37 700
Inventories	301 487	196 289	35 017	69 946	38 124	640 863	135 877
Trade and other receivables	343 547	137 822	109 354	79 871	10 534	681 128	195 685
Provisions	-	-	-	227	-	227	(29 396)
Trade and other payables	(100 197)	(154 716)	(33 717)	(34 182)	(4 611)	(327 423)	(245 841)
Finance leases	-	-	(24 813)	-	-	(24 813)	-
Borrowings	-	(144 642)	-	-	(40)	(144 682)	(81 847)
Current tax (payable)/receivable	20 016	(17 136)	-	(1 742)	-	1 138	(670)
Provision for doubtful debt	-	-	-	-	-	-	(42 277)
Deferred tax liabilities	(158 956)	(95 264)	-	(48 810)	(9 597)	(312 627)	(140 986)
Total identifiable net assets	2 419 876	1 472 192	859 957	259 548	69 697	5 081 270	580 776
Non-controlling interest	-	-	-	-	(476)	(476)	(101 145)
Resultant goodwill	1 568 074	1 234 196	(236)	203 565	74 779	3 080 378	465 937
Total cash paid for acquisitions	(2 643 993)	(2 332 935)	(599 265)	(330 728)	(69 200)	(5 976 121)	(537 035)
Cash available in acquired company	242 161	213 884	31 652	33 723	540	521 960	96 875
Cash flow relating to business combinations	(2 401 832)	(2 119 051)	(567 613)	(297 005)	(68 660)	(5 454 161)	(440 160)

Ascendis completed three new platform acquisitions. These acquisitions will allow Ascendis to significantly grow its European footprint which is currently serviced by Farmalider S.A. The establishment of a sizeable European platform will support further international growth and expansion into new geographies both through acquisitions and organically as the newly acquired international sales and distribution platforms can be utilised to channel existing Ascendis products. Ascendis will contribute favourably towards the growth of both Remedica and Scitec, as synergies are achieved in shared services, cross-licensing of pharmaceutical dossiers, product manufacturing and established routes to the European and developing markets.

The geographical diversification offered by these transactions and their predominant invoicing in US Dollar and Euro will create a natural Rand hedge. The conclusion of these transactions ensures that Ascendis maintains its defensive segment mix of over-the-counter and pharmaceutical operations while enhancing diversification of its sales portfolio across products, channels, geographies and currencies. The international growth, synergies and natural hedge contribute to the goodwill amount recognised as part of the Remedica, Scitec and Sun Wave Pharma acquisition.

International platform acquisition - The Remedica Group (1 August 2016)
Remedica has been operating for over 50 years and is dedicated to the development, production and sale of high quality, safe and efficacious generic pharmaceuticals. Remedica provides an international platform with its diversified portfolio of products, markets and clients to transform the Ascendis Pharma-Med Europe segment.

The Group has acquired the entire share capital of Remedica, a pharmaceutical company based in Cyprus. The purchase consideration of between EUR261.5 million and EUR335 million (R3 988 million - R5 210.2 million) was settled as follows:

- EUR170 million to be paid on completion which assumes a target working capital of EUR50 million and at least EUR5 million of surplus cash earmarked for future acquisitions.
- EUR90 million deferred for three years (present value of EUR81.175 million based on a pre-discount rate of 3.5%); and
- EUR1.5 million to be paid in share issued.
- an amount to be determined based on the average EBITDA achieved for the three financial years post completion of the Remedica transaction subject to certain targets being achieved with the total payment limited to EUR75 million.

R28 million of the business combination costs relates to the Remedica acquisition.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Remedica was R982.4 million. Remedica also contributed profit after tax of R243.0 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R1 072.1 million and R248.2 million respectively.

International platform acquisition - The Scitec Group (1 August 2016)
The acquisition of Scitec complements Ascendis' Consumer Brands product strategy, as it provides an international platform in the sports nutrition and nutraceutical industry. Scitec is focused on the marketing, production and distribution of a wide variety of sports nutrition products targeted at strength training, functional fitness and well-being forming part of the Consumer Brands Europe segment.

The Group has acquired the entire share capital of Scitec a European sports nutrition company. The purchase consideration of EUR170 million (R2 706.3 million) was settled in cash as follows:

- EUR150 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- EUR20 million, deferred for one year.

R30.6 million of the business combination costs relates to the Scitec acquisition.

The revenue included in the statement of comprehensive income since 1 August 2016 contributed by Scitec was R1 247 million. Scitec also contributed profit after tax of R121.3 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R1 363.4 million and R125.8 million respectively.

Included in the purchase consideration of Scitec and Remedica is a R119.5 million loss on the foreign exchange hedges taken out on the foreign purchase consideration.

International platform acquisition - The Sun Wave Pharma Group (1 June 2017)
The acquisition of Sun Wave Pharma complements Ascendis' Consumer Brands Europe product strategy, as it provides an international platform in the food supplements and over-the-counter ("OTC") industry. Sun Wave Pharma specialises in marketing its products directly to the doctor community, through a sales force of approximately 290 effective and well-trained individuals forming part of the Consumer Brands Europe segment.

The Group has acquired the assets and liabilities of Sun Wave Pharma a European based OTC company. The purchase consideration between EUR40.8 million and EUR63.8 million (R600 million and R938.2 million) was settled in cash as follows:

- EUR40.8 million, adjusted for agreed working capital, debt and operating cash, paid on completion of the transaction.
- EUR5 million, payable after one year if the performance target for the period is achieved.
- EUR8 million, payable after two years if the performance target for the period is achieved.
- EUR6 million, payable after three years if the performance target for the period is achieved.
- EUR4 million, payable after three years if the performance target for the average 3 periods are achieved.

R13.5 million of the business combination costs relates to the Sun Wave Pharma acquisition.

The revenue included in the statement of comprehensive income since 1 June 2017 contributed by Sun Wave Pharma was R37.1 million. Sun Wave Pharma also contributed profit after tax of R17.7 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R420.8 million and R70.4 million respectively.

South African bolt-on acquisition - The Cipla Group (1 June 2017)
The acquisition of Cipla complements Phyto-Vet strategy, as it offers a presence in therapeutic areas in which Ascendis did not previously have strong representation. Cipla is an integrated biosciences and veterinary science business, leveraging expertise in the areas of entomology, horticulture, agronomy and veterinary sciences to drive competitive advantage.

The Group has acquired the entire share capital of Cipla, an integrated biosciences and veterinary science business. The purchase consideration of R345 million was settled in cash as follows:

- R295 million paid on completion of the transaction.
- R50 million, payable after one year.
- R86.7 million, payable in July 2017 relating the agreed working capital, debt and operating cash adjustment.

R5 million of the business combination costs relates to the Cipla acquisition.

The revenue included in the statement of comprehensive income since 1 June 2017 contributed by Cipla was R19.5 million. Cipla also contributed profit after tax of R2.1 million over the same period.

If the subsidiary was acquired on the first day of the financial year, revenue and profits for the year would have been R250.5 million and R49.1 million respectively.

The other acquisitions consists of the following:
The other acquisitions were bolt on acquisitions in the Pharma-Med Africa and Consumer Brands Africa segments. This included the acquisition of Ortho-Xact (April 2017) and Juniva (April 2017). R3.9 million of the business combination costs relates to the other acquisitions.

The revenue included in the statement of comprehensive income since acquisition contributed by the other acquisitions was R33.1 million. The other acquisitions also contributed profit after tax of R8.8 million over the same period.

If the subsidiaries were acquired on the first day of the financial year, revenue and profits for the year would have been R38.1 million and R5.9 million respectively.

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Directors	JA Bester (Chairman)* MS Bomela* CD Dillon# K Futter (CFO) B Harie* Dr KS Pather* GJ Shayne# CB Sampson (MD)

	Dr KUHH Wellner (CEO) *Independent non-executive #Non-executive
Registered office	31 Georgian Crescent East Bryanston Gauteng 2191
Business address	31 Georgian Crescent East Bryanston Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Bankers	The Standard Bank of South Africa Limited
Sponsor	Investec Bank Limited
Auditors	PricewaterhouseCoopers Inc Chartered Accountants (SA)
Secretary	A Sims CA(SA)
	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: K Futter CA(SA) Chief financial officer

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